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Electronic shopping makes the retail connection.

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ABSTRACT: Electronic merchandising is being introduced in several progressive department stores. Wards has a computerized catalog, Filene's has a computerized bridal and **gift registry** , and several stores will use a video disk player for Cuisinart demonstrations. Customer reaction has been favorable, especially at Filene's, where registrations have doubled in the past year.

TEXT:

Although most shoppers either have never seen or never used an electronic shopping device at a **store** , retailers and others involved in the growing electronic marketing area acknowledge the feasibility of this technology and expect video installations to be "widespread" in the next two years.

And most agree that of all **store** categories, home furnishings is the most likely candidate for initial adaptation to electronic merchandising -- from the relatively simple computerized **bridal registry** to product-explaining video disks produced by manufacturers to sophisticated systems that permit a customer to view and order merchandise.

"There's lots of application for electronic shopping for home furnishings," says Dennis Cicetti, senior vice president and general merchandise manager of home fashions and home leisure for Frederick Atkins Inc., the buying office.

"HOME FURNISHINGS probably is better suited to electronic shopping than any department in the **store** . Consumers are more apt to buy sheets and towels, for example, through a computer with a video screen because these products don't have to be tried on to know the item is right."

As with any radically new or experimental developments, while there are highly optimistic evaluations such as Cicetti's, there are also more cautious and even pessimistic views.

"Electronic merchandising is a phenomenon we're watching closely," says Robert Hilton, merchandising vice president for Burdines, the south Florida department **store** chain.

Among the more conservative executives is Robert Shinberg, Bloomingdale's senior vice president for research systems, who is not about to jump on the electronic shopping bandwagon. Although he acknowledges the excelelnce of video pitches in today's state-of-the-art electronic merchandising, he wonders about the rate of return for merchandise purchased through this medium.

"With some furnishings, I'm concerned that customers can't respond the same as when they purchase a product in person. What will the return rate be if shoppers can't hold and feel an item, or heft if for its weight?"

WHEN the optimism is weighed against the pessimism, the feeling is that electronic merchandising will spread significantly in the next few years.

And now that it's becoming obvious electronic shopping is here to stay, just about everyone even remotely involved wants to know how soon interaction between shopper and machine will become commonplace, what obstacles must be overcome and what it will mean to retailers.

Mark Kriss, senior analyst for The Yankee Group, a market research and consulting firm in Boston that includes Sears among its clients, says within the next few years the expansion will be explosive. "You're already seeing terminals in leading-edge departments such as consumer electronics. In two years I would expect them to be widespread in consumer electronics and telephone departments. The systems will be more sophisticated, easier

to use and more interactive," Kriss says. Interactive means consumers can enter data into a terminal and receive a response from the computer, for example, to select, view and order goods at a video installation.

"The first major deployment of interactive systems will be in the progressive department **store** chains," kriss says. And he feels there is a serious question whether discount **store** margins can support the equipment, software and backup systems such as delivery that an interactive system -- particularly one permitting transportations -- requires.

KRISS lists five major barriers to be overcome before these systems become widespread: cost, location, product mix, delivery and consumer acceptance.

The question of cost, he says, is more a question of economies of scale. "The technology is there; it's off-the-shelf-stuff. If Sears wanted to install video disk players in 461 A stores today, the cost would be right."

Cost estimates for video disk systems vary widely from $2,500, for the hardware alone, up to $20,000. It depends on how sophisticated the equipment and how complicated the program.

Generally, electronic merchandising can be divided into two categories. The older and more conservative type provides information on request and uses a computer terminal screen to display the information. The more sophisticated electronic marketing technique is a computer paired with a laser optical video disk player that provides the proven power of TV to display goods at point of sale.

Two of the most important applications for electronic merchandising in the home area concern augmenting stock and saving money. For one, stores can markedly expand merchandise assortments without adding extra display space. For another, they can offer a large selection of high-priced items such as major appliances without actually incurring the cost of owning the inventory.

THE MOST elaborate of the current electronic merchandising setups -- and one which makes it feasible for department stores to vastly increase their SKUs in a particular manufacturer's line as well as to eliminate out-of-stocks -- is the video disk experiment being conducted by J. P. Stevens, the textile firm, in conjunction with Comp-U- **Store** International, a company that offers computerized services. The Stevens system initially is operating in selected Filene's, Dillard's and Woodward & Lothrop locations.

The Stevens Bed& Bath Fashion Center is a 50-square-foot display encompassing a CRT screen with keypad hooked to a computer which selects and displays on a video monitor images from a laser video disk player. A printer provides disk player. A printer provides written text and order confirmation. Customers can select goods from the nine categories in Stevens' Utica line of department **store** merchandise, view pictures of the goods recorded on the video disk, place their orders and get a printed receipt.

Filene's, which is testing the Stevens Center in three of its stores, is enthusiastic about early results. "We felt we could do substantial extra business and already we're running 80 percent ahead of our projections after a month," says Thomas Connelly, vice president and general merchandise manager for home furnishings.

"WE'VE ESTABLISHED a separate department number to trace exactly what this means in plus-business." This is being done with merchandise not carried in stores, but ordered through the terminal and shipped directly from Stevens to customers. Filene's shoppers generally are buying accessories to complement the merchandise the **store** already carries for that plus-business, Connelly says.

Norman Stern, project manager for Stevens, says the installations, in place in late June, are too new for results to be assessed. "We are about to put a new disk in to update the line. It will have a lot more product visible, the sequences are shorter and the pace quicker. The ability of the customer to buy has been speeded up."

Woodward & Lothrup and Dillard's also are testing the Stevens equipment, but have been reluctant to discuss early results.

Use of the video disk on a mass retail level first started in 1981 when Sears, Roebuck & Co. put its summer catalog on disks in 12 stores during a three-month test. Nearly 18,000 items were portrayed in 5,500

color photographs with text. The 236-page catalog, which could be viewed in 30 minutes, included three- and four-minute long action sequences.

One of the earliest supporters of electronic shopping and its potential for dramatic expansion in the near future is Ronald Ramseyer, national catalog advertising manager for Sears. He directed the Sears video disk experiment.

RAMSEYER SAYS the "most discouraging" aspect of the experiment two summers ago was "our lack of knowledge of the two-way communications process." He and others feel the proliferation of video games, home computers and automatic banking machines has greatly increased consumer acceptance of point-of-sale terminals.

The economies of the video disk-catalog for Sears however proved "very encouraging. It was our hardware that was intimidating in a public area," says Ramseyer.

Another ambitious effort today to merchandise a large collection of products electronically has been undertaken by Wards Co., operator of consumer electronics stores. Even though this computerized catalog for ordering computer software in retail locations does not include a video disk player and thus is an example of the older type of electronic merchandising, it does allow customers to review 800 programs from such companies as Atari, Commodore, Texas Instruments and Timex, and either make their purchases in any one of 5o stores, or receive these by mail.

A retail service that adapts easily to the electronic ageis bridal and **gift registry** . Filene's Jordan Marsch, Hudson's and Dayton's are upgrading their computerized registries.

TRADITIONALLY, department stores have been leaders in fashion and innovation. This, plus department stores' orientation toward customer service, should make electronic merchandising particularly attractive to this retail segment.

"Department stores are trying to maintain strong customer loyalty, so if they can improve customer service and reduce costs, electronic merchandising should come on strong," says Thomas Rauh, national service director for retail consulting for Touche Ross & Co.

And Frederick Atkins' Cicetti says the department **store** "is the best experimental base for computer shopping. They're looking for avenues to improve their service, and one way is through the computer."

However, "electronic shopping still is primarily a service function today," Cicetti says. "The Stevens system, which culminates in a purchase, is more of a test because it is bringing a volume and profit situation to the process. There are many SKUs at Stevens, viable merchandise that could never be housed or shown in a **store** -- except through the use of a video screen. If done properly, sales have to be better. But to what degree, I don't know."

The Yankee Group's Kriss feels department stores should take the lead at retail. "I would expect the department stores to move first because of their commitment to service. These systems could be a very powerful tool for department stores in gaining market share."

FILENE'S Connelly views a system like Stevens experiment more as a way to offer additional customer service than as a way to add plus-sales in a given category.

"From a purely economic point of view, this is the kind of thing a department **store** should be involved in if it is thinking a few years out, because it doesn't mean that much in profits today.

"but, if it continues to develop, we have the opportunity of offering such a broad assortment of product that no one could compete with us. We could make available three, four, five times the assortment we do right now. That has got to be a distinction we would have that is head and shoulders above anyone else."

Looking at his own department **store** as possibility for electronic merchandising, Bloomingdale's Shinberg says, "Electronic shopping is exciting and has lots of potential, But how pervasive is it going to be?

"Is it for Bloomingdale's? We have a particular ambiance and service here. How much of this can get over a TV screen?

"Home furnishings might have a better chance than ready-to-wear. It's going to be expensive if a customer buys something over TV, gets it home and tries it on -- then returns it to the **store** .

"There are many tests today, but no track record. We're watching

these, but we're not prepared to be pioneers. There is promise, but what shape it will take and who will be the surveyors is hard to say. We must flush out these questions before we go into it."

THERE SEEMS to be little question among the current experimenters that electronic communcation with customers at the point of sale is here to stay, says Herb Woods, vice president for electronic marketing at Cableshare Inc. of London, Ontario, the Canadian firm that developed an electronic merchandising system in Toronto's Eaton Centre **mall** .

Shoppers, by touching a TV screen in a kiosk in the **mall** can ask a computerized directory, for example, for a list of gifts for a small boy who likes sports. Suggestions from several stores in the **mall** flash on the screen. Once customers pick a gift, they can ask the computer how to find the **store** in the three-level complex. Instantly, a map and directions from the kiosk appear on the screen.

Cableshare installed a similar system in the Ingram Park **Mall** in San Antonio in July; in Davenport, Iowa in September, and has another system set for Orlando, Fla. this month.

The Cableshare system works in connection with a third party, usually the **mall** developer or a regional newspaper company, with retailes buying "space" in the system's information bank.

Seven kiosks at Eaton Centre, for example, are located in the **mall** common area and provide such information as **mall** events, community events, sales that week and how-to programs (for example, how to use an automated banking machine, sponsored by a bank in the **mall**). The system uses a touch-screen and is currently logging 28,000 touches a day on the Centre's seven screens. A touch-screen generally is considered preferable to a keyboard by those doing experiments because of its ease of use.

COMP-U- **STORE** , the Stamford, Conn.-based software technology firm that long has been a pioneer in selling direct to consumers through electronic devices and has been working with Stevens in the initial stages of the textile firm's test planning, is gearing up for its own rollout beginning next year.

Comp-U- **Store** is starting an independent test in early 1984 in about 25 locations, offering a broad line of home furnishings items such as appliances and consumer electronics through video disk setups in locations such as supermarkets, shopping malls and department stores.

Dirk Shelton, senior vice president, says the video disk installations will be similar to Stevens', offering products either through distributors with whom Comp-U- **Store** has contracted or directly from manufacturers. Customers can order at the videodisk terminal and the products will be shipped to their homes.

The installations may use the Comp-U- **Store** **name** or could carry a chain's name if located in a **store** . This would enable a retailer such as a department **store** to offer its customers a wider range of goods than it might physically carry in the **store** .

MANUFACTURERS are moving ahead with the electronics explosion to explain their products at retail. Atari and Apple have video disk programs about their home computers available. Cuisinarts, after a fourth-quarter test in 30 stores last year, will put video disk players in 200 stores in November, using the disk's random access capability to enable customers to watch a presentation on whatever aspect of buying or using a food processor interests them. The Cuisinarts test is one example of a manufacturer financing the development stage. ("Cuisinarts will save enough money on vegetables alone to finance the project," comments one.

Diane Meltz Cline, video manager for Cuisinarts, says the preliminary tests of that system last year showed three results are likely from a video disk system.

"First, it was an important sales aid not only for food processors, but for the other products as well. Second, some stores sent customers over to watch it as a 'cooking class' after a purchase. And last, sales personnel used it to train themselves," says Cline.

Cuisinarts has made an important change since its tests. This year, the company will put its hardware into kiosks, so only user-friendly screen and buttons are available to select desired information. Kiosks were not used in the tests.

THE QUESTION of transaction fulfillment with electronic merchandising systems is being addressed in the Stevens experiment. Filene's Connelly

predicts department stores, already set up for delivery, would probably ultimately assume the [redacted]ivery function. Stevens now sh[redacted] the merchandise to the customer.

Finally, there is the question of consumer acceptance. Most of the people involved in these experiments say that, in an age of video games, home computers and automatic banking machines, shoppers are becoming more and more willing to look favorably on these systems.

Connelly says Filene's customers have had no qualms about the Stevens machine, and points that the firm's touch-screen **bridal registry** has been tremendously successful, with bridal registrations doubled in the past year.

When it comes to the most user-friendly installation and widespread consumer acceptance, many observers point to the video disk information systems developed for Epcot Center at Disneyworld in Orlando, fla. "People stand in line to use the things," marvels one executive.

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